



**BOARD OF SUPERVISORS
AGENDA LETTER**

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Submitted on:
(COB Stamp)

Department Name: General Services
Department No.: 063
Agenda Date: March 11, 2025
Placement: Administrative Agenda
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director: Kirk Lagerquist, Director, General Services
Contact Info: Ted Teyber, Assistant Director, General Services (805) 568-3083
SUBJECT: **County Land Loan to Hollister Lofts L.P., for a Permanent Supportive Housing Development Project; Second Supervisorial District (Folio 003910)**

DocuSigned by:
Kirk Lagerquist
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County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk; Community Services

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Ratify, approve and authorize the Chair of the Board of Supervisors to execute the County Land Loan Agreement and Regulatory Agreement with Hollister Lofts L.P for the Hollister Lofts permanent supportive housing project; and
- b) Find that, pursuant to California Environmental Quality Act (CEQA) SECTION 15162, no substantial changes are proposed and no new circumstances or information of substantial importance have come to light regarding environmental effects of the County Land Loan Agreement and Regulatory Agreement, and therefore the proposed action is within the scope of the CEQA Notice of Exemption approved by the Board of Supervisors on November 5, 2019, and on file with the Clerk of the Board, pursuant to CEQA Guidelines section 15004(b)(4), and that therefore no new Notice of exemption is required.

Summary Text:

The proposed Hollister Lofts Permanent Supportive Housing Development Project (Project) would consist of 35 rental units, 16 of which will be State of California No Place Like Home (NPLH) funded units for persons with serious mental illness who are homeless, chronically homeless, or at-risk of homelessness. The Regulatory Agreement recommended for approval today requires all 34 of the units remain affordable for 55-years, and seven of the units must be affordable to households at or below 50% Area Median Income adjusted for household size. The one unrestricted unit is an on-site manager's unit. The County's Land Loan Agreement defers repayment of the \$4,000,000 sale of the

property on Hollister Avenue for the Project, which Sale and Purchase Agreement was authorized by the Board on November 5, 2024. The County's Land Loan is a simple 3% residual receipts loan meaning that only to the extent the Project generates positive cash flow, after senior debt service and County-approved expenses and reserves are subtracted, would the County Land Loan be partially repaid. Based on financial projections for the Project to house formerly homeless persons suffering from chronic mental illness, there are not any loan repayments on the County Land Loan projected. The recommended Loan Documents are being recommended for execution at this time to strengthen the Housing Authority's application for competitive Tax Credits which is due before March 18, 2025.

Background:

The acquisition, construction and 20-year rent subsidization for the proposed Project, by the Buyer, is being partially funded from a competitive pool of approximately \$245 million in State NPLH funds that were made available on a competitive basis to all medium-sized counties, such as Santa Barbara County. In order for funds to be awarded for the proposed Project, the County's Behavioral Wellness (BWell) Department partnered with the County's Community Service Department Housing and Community Development Division and published a Notice of Funding Availability to solicit applications for grants and loans for affordable housing development and other capital projects, and for a variety of human services and homeless programs eligible for NPLH funds. On November 5, 2019, the Board of Supervisors approved and authorized the Chair to execute an agreement between the County and Housing Authority of the County of Santa Barbara (Housing Authority), a public body constituting a nonprofit association, thus meeting the requirements of County Code section 12a-10.3, which granted the Housing Authority, for a period of three (3) years, exclusive rights to negotiate with the County in good faith for acquisition for a portion of County-owned property to enable the Housing Authority to apply for State of California NPLH competitive funds and other financing for the proposed Project. The Housing Authority and BWell applied for competitive funds for the Project on January 8, 2020, and were notified by the State Housing and Community Development they had been awarded \$4,822,998 in competitive funding on June 25, 2020.

On April 2, 2024, the Board of Supervisors approved and authorized the Chair to execute an exclusive rights to negotiation agreement between the County and the Hollister Lofts L.P. (Partnership) for a twelve-month period. The Partnership is comprised of a managing general partner, Surf Development Company, a California nonprofit public benefit corporation, and its administrative general partner, the Housing Authority. The exclusive right to negotiation granted the Housing Authority the ability to proceed with pre-development activities, including obtaining entitlements, performing feasibility studies, and applying for other funding required to complete the Project, such as low-income housing tax credits.

The Partnership continued work with General Services, Behavioral Wellness and Community Services Departments in support of development of the Project. Much progress has been made, including the survey for a lot split that was completed by the Partnership providing for a fee owned parcel (Parcel) by the COUNTY. The survey has been reviewed and accepted by the County Surveyor's Office. An appraisal, commissioned by the Real Property Division has been completed.

To date, the Partnership has participated in public meetings in which Hollister Lofts was discussed. These public meetings include the Elected Leaders Forum and the Joint Cities/County Affordable Housing Task Group. Further, Hollister Lofts was included in public hearings with the Planning Commission and Board of Supervisors in relation to the Housing Element Update rezone process, as well as community meetings that provided opportunities for public input on the proposed Project. Additionally, the Partnership agrees to hold additional community meetings to invite public input on the proposed Project prior to the close of escrow.

It is anticipated that the NPLH Regulatory Agreement, as well as other potential funding related restrictions such as an award of tax credits, would impose lower rent restrictions than those in the County land loan recommended for approval today. However, the recommended Regulatory Agreement will ensure a minimum level of affordability and satisfy the Project's conditions of approval for entitlements under Assembly Bill 2162.

Performance Measure:

The County Community Services Department Housing and Community Development Division will perform regular monitoring of the Project to ensure compliance with minimum income and housing quality standards through their existing monitoring program.

Staffing Impacts:

The monitoring and income certifications required by the Regulatory Agreement can be performed by the Housing and Community Development Division's existing staff.

Fiscal Analysis:

The County's Land Loan Agreement defers repayment of the \$4,000,000 sale of the property on Hollister Avenue for the Project, which Sale and Purchase Agreement was authorized by the Board on November 5, 2024. The County's Land Loan is a residual receipts loan (i.e., to the extent the Project generates positive cash flow after senior debt service and County-approved expenses and reserves are subtracted). Based on financial projections for the Project to house formerly homeless persons suffering from chronic mental illness, there are not any loan repayments on the County Land Loan projected at this time. Projections are based off of Tax Credit Allocation Committee (TCAC) guidelines and are conservative. If at anytime between Project occupancy and 55-years therefrom the Project were to out-perform the TCAC projections, the County would be entitled to Land Loan repayments of accrued interest and principal. The Land Loan Agreement provides that the Buyer shall provide records to County Housing and Community Development annually to ensure compliance with the Land Loan Agreement.

Special Instructions:

This is a time sensitive matter with the Housing Authority's tax credit application deadline approaching. After Board action, distribute as follows:

1. Copy of County Loan Agreement and Land Loan Regulatory Agreement to: lboss@countyofsb.org & Clerk of the Board
2. Original and Duplicate Original County Land Loan Agreement to: Lucille Boss, Community Services Department & Clerk of the Board
3. Original and Duplicate Original County Land Loan Regulatory Agreement to: Lucille Boss, Community Services Department (2)

Attachments:

Attachment A – County Land Loan

Attachment B – County Land Loan Regulatory Agreement

CC: Lucille Boss, CSD-HCD Affordable Housing Programs Manager